
2010 Economic Development Finance Conference

March 30, 2010

Access to Capital & Investment Tools – Michigan
Credits & Incentives

Basics of Michigan Tax Credits & Incentives

- Types of Incentives
 - Credits
 - Exemptions, i.e. “Industrial Processing Exemption” for Sales/Use Tax
 - Abatements, i.e. “PA 198 or PA 328”
 - Grants, i.e. “Community Development Block Grant” or “21st Century Jobs Fund”
 - Financing, i.e. “Industrial Development Revenue Bonds”
- Purposes:
 - Capital Investment
 - Hiring and / or Retention
 - Training
 - Research & Development
 - Infrastructure Development

Credits - MEGA

- 10 – 15 types of credits awarded by the MEGA
- Employment Tax Credit:
 - Refundable
 - New jobs or retention
 - Rate: 0-100% of PIT (4.35%)
 - Base: Box 1 wages (+ benefits)
 - Term: 0-20 years
 - Recapture

Credits - Brownfield

Tax Credit

- Rate
 - Apprv'd before 4/8/08
 - \$1 mm or less in credits 10%
 - \$1 mm (+) - \$30 mm in credits 10% max
 - Apprv'd or amended on or after 4/8/08
 - \$10 mm or less of E.I. 10% max
 - \$10 mm or less of E.I. in Urban Dev Area 15% max (capped by pre-appv'l ltr)
 - \$10 mm or less of E.I. in Urban Dev Area 20% max (until 12/31/2010)
 - Apprv'd or amended on or after 4/8/08 and before 1/1/10
 - \$10 mm (+) - \$300 mm of E.I. 12.5% max
 - \$10 mm (+) - \$300 mm of E.I. in Urban Dev Area 15% max
 - \$10 mm (+) - \$300 mm of E.I. in Urban Dev Area 20% max (until 12/31/10)
 - Apprv'd or amended on and after 1/1/10
 - \$10 mm (+) - \$100 mm of E.I. 12.5% max
 - \$10 mm (+) - \$100 mm of E.I. in Urban Dev Area 15% max
 - \$10 mm (+) - \$100 mm of E.I. in Urban Dev Area 20% max (until 12/31/10)
 - Eligible Investment
 - Certification Process
 - Assignment
 - Refundable + Carry Forward

Tax Increment Finance

Credits - Historic

Rate

- Basic Credit
 - 25% of the qualified expenditures used for the resource rehabilitation less any federal credit claimed
- Enhanced Credit
 - 15% max of the qualified expenditures as stated in pre-approval letter
 - 2009 \$8 mm
 - 2013 \$12 mm
- Special Consideration Credit
 - 15% max of the qualified expenditures as stated on Certificate of Completion
 - Max 5 taxpayers

Eligible Projects

- The property is “eligible resource”
- The project work follows the Secretary of Interior’s standards for rehabilitation
- SHPO approves the 3-part application (including certification of completed work)
- Qualified expenditures must be equal to or greater than 10% of the SEV of the resource

Qualified Expenditures

- Capital expenditures that qualify under IRC 47(a)(2)
- Eligible fees:
 - Architectural and structural engineering assessments
 - Site surveys
 - Legal and development fees
- Ineligible costs:
 - Acquisition or furnishing of the resource
 - New additions or facilities

Certification Process

Recapture of credits

Assignment

Refundable + Carry Forward